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SUBJECT: BOND: CIVIL NUCLEAR DEAL FACES HURDLES IN US
CONGRESS

Classified By: Ambassador David C. Mulford for Reasons 1.4 (B, D)

11. (C) Summary: Senator Kit Bond (R-Missouri) told Minister of State Anand Sharma on Wednesday, March 22 that the civil-nuclear agreement faces stiff opposition in Congress, and Americans of Indian descent should actively engage their congressional representatives and urge them to support it. Sharma emphasized India's "impeccable" non-proliferation history and suggested US decision-makers take this record into account when voting on the agreement. Sharma also highlighted other areas of India/US cooperation, including agriculture and military exchanges. The two principals agreed that future collaboration on clean coal technology is in the best interest of the US and India. Senator Bond expressed support for increased US military sales to India, including co-production, and hoped that the GOI would seriously consider the F-18 under the upcoming fighter tender. Discussing FDI into India, the Ambassador noted that, while the investment climate in India is good, greater deregulation would create a "virtuous circle," resulting in more investment in the country. End Summary.

Nuclear Agreement Faces Hurdles, None Insurmountable

12. (C) Noting the drastic "paradigm shift" in US-India relations in the three years since his last visit to the subcontinent, Senator Bond expressed qualified support for the civil-nuclear agreement announced by President Bush and Prime Minister Singh on March 2. He acknowledged that in Washington's current political climate, passage through Congress is not assured, as partisan politics come into play. The Senator suggested that mobilizing the influential Indian-American diaspora may be a key to the agreement's passage. Sharma, acknowledging political realities, noted it

would be "rather sad if the nuclear deal fell victim to partisan politics."

13. (C) Asserting that India has an "impeccable" record on non-proliferation, Sharma urged the US to view the nuclear plan "in an environment of trust." He also suggested Senator Bond inform his Congressional colleagues that the GOI has a credible separation plan, that places 65 percent of Indian nuclear facilities under international safeguards. Sharma also emphasized that India's Parliament discussed the nuclear agreement and passed it without changes.

Cooperation in Agriculture, Military and High-Tech

14. (C) Sharma noted that the de-enstrangement of US-India relations has resulted in extensive cooperation in many fields, including agriculture, high technology, and military exchanges. He thanked the US for its help during the "first green revolution," which helped India become self-sufficient in food production, and hoped further US cooperation would result in a second green revolution. Sharma remarked that much of India's agricultural produce goes to waste due to a lack of infrastructure and processing capabilities, and that India would benefit by investment in these areas. Senator Bond indicated the importance of bio-technology in modern agriculture and asked that the GOI conduct a swift analysis of BT (Bacillus Thuringiensis) corn, and inform the USG if it finds any problems with the commodity. He also emphasized the importance of import and plant health standards, specifically for wheat, that do not favor certain countries'

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production over others.

15. (C) Sharma remarked that the recent increase in India/US military exercises and exchanges exemplifies the new relationship. "Our pilots have flown together, there have been numerous exchange programs between our armed forces and this type of cooperation will only increase," Sharma noted. Senator Bond replied that he hoped the GOI would seriously consider the F-18 to fill the planned multi-role fighter aircraft upgrade, indicating he supported inclusion of the AESA radar and potential co-production. "It is in our mutual interest to ensure your air force is equipped with the very best aircraft," Senator Bond asserted. Sharma indicated that the acquisition would be based on "globally competitive bids" and that he was confident that this area of our relationship would surely grow in the future. Sharma urged the Senator to broach this topic with Defense Minister Pranab Mukherjee (septel).

16. (C) Acknowledging US and Indian vast coal resources, Senator Bond and Sharma agreed that cooperation on clean coal technology was in the both countries' mutual interest. Sharma also highlighted recent cooperation between the Indian Space Research Organization (ISRO) and NASA, commenting that it was unfortunate that the nuclear agreement has overshadowed such important collaboration.

Private Sector Investment Key to Indian Growth

17. (C) Indicating that lopsided development could lead to social unrest, Sharma stated that increased investment in rural areas is vital for India's future. "Over 60 percent of Indians still live on subsistence agriculture," Sharma reported, and much of the excess food produced spoils due to a lack of processing capacity and poor infrastructure. Increased investment in food processing technology and the transportation system would be beneficial, he proffered. Senator Bond concurred, noting that if the GOI builds the necessary regulatory framework, this investment will come. "If U.S. businesses believe they will get fair treatment, they will want to invest in India," he asserted. The Ambassador introduced the concept of the "virtuous circle,"

commenting that "good rules end up generating good investment." He noted that Indian FDI figures have begun to demonstrate this, and that greater deregulation would expedite private investment. Sharma indicated that "some constituents have reservations" concerning FDI, but concluded that India, being a democracy with an active media and independent judiciary, is a safe investment.

18. (U) Codel Bond cleared this message.

19. (U) Visit New Delhi's Classified Website:
(<http://www.state.sgov.gov/p/sa/newdelhi/>)
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